

THE

# Dan Smoot Report

Vol. 6, No. 19

(Broadcast 250)

May 9, 1960

Dallas, Texas



DAN SMOOT

## THE LUST FOR TAXES

**O**n July 30, 1957, General Douglas MacArthur made one of the greatest speeches of his career. His theme:

The taxing and spending of the federal government will — before long — destroy our free nation, socialize our economy, and reduce the American people to slavery, unless we stop them. We cannot stop them by complaining and demanding economy in Washington, because the powerful and organized lobbies *for* federal spending will always have more influence than the complaints of citizens who are not organized into a definable voting block. The only way to stop the Washington spenders is to cut down their money supply so sharply that they will have only enough tax revenue to finance the valid, constitutional functions of government.

**H**ere are excerpts from General MacArthur's speech:

Taxes have grown so rapidly in recent years that now they are the largest single item in the cost of living. Americans will pay for government this year more than they will spend on food, clothing, medical care and religious activities combined.

Before you sit down to a meal, morning, noon or night, this is what happens:

The tax agent collects from the farmer who grew your food. He collects from the fertilizer companies and farm equipment manufacturers who supplied the farmer. He collects rail and truck transportation taxes, manufacturers' excise taxes, telephone taxes, property taxes, sales taxes, income taxes, social security taxes, gasoline taxes, license fees, inspection fees, permit fees; all these — and so many others that nobody even knows what they are.

When you buy a dozen eggs you pay at least one hundred tiny taxes which do not appear on the bill. There are 151 taxes on a loaf of bread, at least as many and maybe more on a pound of beefsteak, a box of soap, a can of beans.

THE DAN SMOOT REPORT, a magazine edited and published weekly by Dan Smoot, mailing address P.O. Box 9611, Lakewood Station, Dallas 14, Texas, Telephone TAYlor 4-8683 (Office Address 6441 Gaston Avenue). Subscription rates: \$10.00 a year, \$6.00 for 6 months, \$3.00 for 3 months, \$18.00 for two years. For first class mail \$12.00 a year; by airmail (including APO and FPO) \$14.00 a year. Reprints of specific issues: 1 copy for 25¢; 6 for \$1.00; 50 for \$5.50; 100 for \$10.00—each price for bulk mailing to one person.

**Billions a year are drained off which should be invested in new or enlarged enterprises or spent on the products of these enterprises.**

I do not hesitate to predict that if government continues to wrest from the people the basis for future industries and businesses our rapidly increasing population may eventually outgrow the number of jobs available and industrial labor will then face its greatest threat.

There seems to be no restraint in this lust for taxes. It began with the Federal Income Tax Law of 1914 which gave unlimited access to the people's wealth, and the power for the first time to levy taxes not for revenue only but for social purposes. Since then the sphere of government has increased with a kind of explosive force.

The Russian dictator, Lenin, that implacable foe of the free enterprise system, predicted as early as 1920 that the United States would eventually spend itself into bankruptcy.

Karl Marx, patron saint of communism, while planning the destruction of all constitutional government, said:

"The surest way to overturn the social order is to debauch the currency."

He referred, of course, to the process of inflation, induced by extreme taxation. . . .

"Taxation," with its offspring, inflation, said Lenin in support of the basic thesis of Karl Marx, "is the vital weapon to displace the system of free enterprise". . . .

Excessive taxation produces results somewhat resembling the evils of slavery and serfdom in days of old.

To illustrate: the government takes in taxes over a third of the income of the average citizen each year. This means that he or she is required to work entirely for the government from January 1st until May 10th.

This begins to resemble the Soviet forced labor system. It practically reduces the citizen for protracted periods to what amounts almost to involuntary servitude. It is indeed the modern, although humanized counterpart in the twentieth century of the abandoned slavery and serfdom of the preceding centuries.

Our tax-take is already greater than that of the admitted national socialistic countries,

whether on this or the other side of the Iron Curtain. The effects may not yet be fully evident to the superficial eye, but the erosion of incentive, ingenuity and integrity that results will be as deadly as the hidden cancer is to life.

In the last two decades our tax system has resulted in a creeping inflation which has devaluated the American dollar to 40 percent of its previous purchasing power.

Those who suffer most from such fiscal debasement are the men of small means — those living on fixed incomes, wages, annuities or pensions — especially the working man.

The national budget is but the guesswork of a small group of individuals, temporarily gathered in Washington by administrative assignment, whose previous training and experience have little to do with acquiring any specific knowledge of the nation's need. Each one, engrossed with the super-importance of his own function and power, estimates a maximum that he deems he can utilize, irrespective of extravagance.

The sum of these, with some modification, becomes the budget.

The pressure of political currents, the blandishments of powerful lobbies, the allurements of expanding horizons, the disease of power, all play their potent part.

At best the result is but a guess, a speculative estimate with little or no controlling influences. How wrong it can be is testified to by the surpluses that have accumulated over the years.

These surpluses, the over-estimates in the national budgets of actual needs, glut our warehouses from coast to coast. They are not limited to agricultural products but exist in practically every field and every commodity.

A member of the Hoover Commission which studied the matter estimated to me that in the last decade perhaps one hundred billion dollars worth of surplus had accumulated. A large portion of this, he said, could probably never be gainfully used. This is but one facet depicting the frailty, the inaccuracy and the extravagance of the casual budget.

I know from actual experience these frailties. For five years I made up the budget for the Army and Air Corps when I was the Chief of Staff . . . . The estimates submitted to me were astronomical compared to the moneys available without bor-

rowing; but, it may interest you to know that the largest yearly budget I put in for the Army and Air Force, which were then combined, was approximately four hundred million dollars.

Yet, I can say confidently that the security of the United States was as relatively safe then as now.

Our swollen budgets constantly have been misrepresented to the public. Our government has kept us in a perpetual state of fear — kept us in a continuous stampede of patriotic fervor — with the cry of grave national emergency. Always there has been some terrible evil at home or some monstrous foreign power that was going to gobble us up if we did not blindly rally behind it by furnishing the exorbitant funds demanded.

Yet, in retrospect, these disasters seem never to have happened, seem never to have been quite real.

Another of the great illusions is that government gives the people free much of what they get from its services. I am convinced that the average citizen has no idea who pays for big government and how much. The painful truth is this: the government produces nothing of itself. Whatever it spends for people it must previously take from the people in the form of taxes.

Moreover, whenever the government gives a service to people, it must at the same time take away from the people the right to provide and decide for themselves. And the amount which government doles back to the people or spends to promote welfare is always only a fraction of what it takes away, because of the excessive cost of governmental administration.

It is the little people that pay the largest part of the bill. Eighty-five percent of all the billions of dollars paid in income taxes comes from the lowest rate — the 20 percent paid by all persons with taxable income. Only 15 percent is added by all the higher rates up to 91 percent. Indeed, it has been suggested that one reason for the steep graduation of the income tax is to make the public think that people with high incomes pay most of the taxes.

It is another illusion to think that excessive rates of a graduated income tax tend to redistribute the wealth. It merely prevents its accumulation and thereby blocks expansion of the nation's economic strength. The very source of new and better jobs thus disappears.

The contest for ages has been to rescue liberty from the constantly expanding grasp of governmental power. The great patriots of the American Revolution revolted not so much against the actual taxes imposed upon them by a British King but against the concept of government behind the taxes; the concept that government had unlimited power to do what government thought proper. They had a deep suspicion that government, if permitted, would waste the labors of the people and ultimately curtail the power of the people, always under the pretense of taking care of the people. That is why they tried to bind the government down with the modest restrictions of a Constitution, limiting the government's powers to the performance of carefully specified responsibilities.

There are many who have lost faith in this early American ideal and believe in a form of socialistic, totalitarian rule, a sort of big-brother deity to run our lives for us. They no longer believe that free men can manage their own affairs. Their central thesis is to take your money away from you on the presumption that a handful of men, centered in government, largely bureaucratic not elected, can spend the proceeds of your toil and labor to greater advantage than you who create the money.

Nowhere in the history of the human race is there justification for this reckless faith in political power. It is the oldest, most reactionary of all forms of social organization. It was tried out in ancient Babylon, ancient Greece and ancient Rome; in Mussolini's Italy, in Hitler's Germany, and in all communist countries.

Wherever and whenever it has been attempted, it has failed utterly to provide economic security, and has generally ended in national disaster.

It embraces an essential idiocy, that individuals who, as private citizens, are not able to manage the disposition of their own earnings, become in public office supermen who can manage the affairs of the world.

The Soviets have tried to legislate the perfect society; and today the average Soviet citizen has little more freedom and less comfort than the inmates of American jails.

The old American philosophy of government more effectively promoted the ideal of human freedom, with greater material abundance for more people, than any social system ever propounded; freedom to live under the minimum of

restraint — freedom to make your own mistakes if you will.

The fundamental and ultimate issue at stake therefore is not merely our money, it is liberty, itself; the excessive taxation of an overgrown government versus personal freedom; a least common denominator of mediocrity against the proven progress of pioneering individualism; the free enterprise system or the cult of blind conformity; the robot or the free man.

If we want economic liberty — want to be free to work most productively and to have what we produce — our concern must focus on the tax roots to shut off the revenue which nourishes the disease. To work at the other end and merely bemoan the detailed projects of socialism or damn the persons who happen to be manning these projects at the moment, or even to change political personnel, would be about as effective in stopping socialism as changing undertakers would be to stop death.

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## PRESSURE GROUPS

Here are excerpts from a speech which former President Herbert Hoover made to the Third National Reorganization Conference:

"The federal government spending is much larger than the figures in the annual federal budget. There is spending on various governmentally-conducted pensions and on some trust funds. And there is indirect spending on projects financed by guarantees and loans. And there is the spending of our state and local governments . . . . Various responsible institutions have estimated the total of these expenditures during the last calendar year (1956) at over \$103 billions.

"The American people should realize . . . . that with combined federal, state and local taxes, we are a long way on the road to socializing the income of the people. Moreover, the form of these taxes is making new individual enterprise

most difficult and is driving small businesses to sell out to big business. . . .

"No one today can tell what the actual annual expenditures of the government really are . . . . The Congress has lost control of the purse — the very foundation of free men. . . .

"The federal government is engaged in a multitude of business enterprises in competition with private business. As a whole, they pay microscopic taxes — either federal, state, or local; few of them pay interest on government capital and still fewer amortize this capital. Any strict accounting would show, as a whole, that they are a burden on the taxpayer and that they deprive the government of taxes that would be paid on the same service by private enterprise. . . .

"And now I will disclose to you who is mostly responsible in these unnecessary and wasteful expenditures . . . . the pressure groups who operate among our people. Many of their names are on the federal register of lobbyists as required by law. Others of them operate strenuously on Senators and Congressmen and the public in the field. There are probably more than a thousand of these pressure groups, working day and night, to get what they call 'theirs.' So far as I know there is not a name among the registered lobbyists whose purpose is to decrease public expenditures . . . ."

\* \* \* \* \*

## THE CRUEL HOAX

In a recent circular letter to constituents, U. S. Congressman August E. Johansen (republican, Michigan) discussed spending pressures which have a powerful influence on legislators in Washington, but which probably cannot be classified with the organized 'pressure groups' which former President Hoover mentions. Congressman Johansen says:

I haven't received exactly this letter yet, but it should be along any day now:

"Dear Congressman Johansen:

"Please vote us \$6 billion a year more. Also please reduce taxes. If you don't do both, we'll get ourselves a new Congressman."

The foregoing isn't nearly as imaginary a letter as it might appear.

During the past week I *did* receive mail from constituents in my district urging my all-out support for five measures which combined would add \$6 billion in new federal spending the first year — and still more in subsequent years.

These measures include the Forand bill, federal aid to education, \$100 a month pension for all World War I veterans, GI benefits for peace-time veterans, and proposed pay increases for Federal employees.

During the past week I *did* receive letters urging both increased spending in one or more of these fields and reduced taxes.

One letter — which condemns me for my lack of interest in certain of these areas of need — had this to say:

"What we need are more men in Washington interested in the welfare of the aged — hospitalization, more social security . . . We are taxed to death."

I am not wasting any sympathy on the Congressman, but I am deeply concerned over the cruel hoax Americans are perpetrating on themselves in this whole matter.

Of course, there are many real, critical and sometimes heart-breaking human problems and needs.

But I believe it is tragic to assume that the solution of those problems and needs must be completely or largely shifted from private initiative and enterprise to government.

I believe it is tragic to assume that more and more of the solutions which properly belong at the local and state levels of government must be completely or largely shifted to an all-powerful, centralized Federal government.

Most important of all, I believe it is tragic to proceed on the assumption that through more and more deficit financing — or any other cute or clever political or fiscal manipulations — Government can repeal or has repealed arithmetic.

I never thought lightly of the Harry Hopkins formula of "tax and tax, spend and spend, elect and elect."

However, I am coming around to the view that this Hopkins program was the essence of high-minded responsibility compared to some of the present-day thinking on the part of both politicians and, apparently, some citizens.

At least Mr. Hopkins seemed to imply that the taxing had to keep pace with the spending.

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## SOMETHING FOR NOTHING IS COSTLY

There is a widespread delusion that money obtained from the federal government is 'free' — something for nothing. Individuals, organized groups, and local and state governments all lobby for federal aid, with arguments that this will ease the tax load on local citizens. City governments demand federal urban renewal funds and public housing grants and funds for airports; state governments demand federal funds for roads, schools, welfare, and whatnot—always creating local public support for their demands with arguments that if the money cannot be obtained from the federal government, it must be taken from local taxpayers.

Is it not immoral—essentially the same as stealing — for taxpayers in one region to demand something which they imagine taxpayers in other regions will be forced to pay for?

And where, pray, does the federal government

get its money? From the same local taxpayers who think they are foisting their burden on someone else if they can get federal money!

**S**enator Byrd says that our national idol has become the fast buck. If he is correct, moral and common-sense reasoning will mean little.

So, let's look at federal aid from "the fast buck" view point. It's a "fast buck" indeed, when taken out of your paycheck and sent to Washington on a round-trip back to you and your community for "federal aid" — fast *vanishing*, that is. For every dollar that the federal government takes away from taxpayers, it sends back in federal aid slightly more than 6¢.

Paul O. Peters, a seasoned and able economist in Washington, compiled a chart from Treasury Department reports, showing Federal internal revenue collections for the fiscal year 1954, by states, and comparing the collections with federal grants in aid. The federal aid included grants to states and local governments and direct payments to individuals in the states, not including federal loans.

**H**ere is the chart:

State	Internal Revenue Grants-in-aid Percent		
	Collection 1954	and payments to individuals	of Collection
Alabama	\$ 382,124,245	\$101,724,549	26.63%
Arizona	163,109,922	35,312,876	21.65
Arkansas	159,038,630	74,815,989	47.04
California	5,356,962,527	365,628,481	6.82
Colorado	630,733,512	70,772,160	11.22
Connecticut	1,294,672,322	33,238,975	2.57
Delaware	905,492,783	7,140,158	0.79
Florida	679,614,998	90,964,796	13.38
Georgia	704,638,743	120,666,563	17.11
Idaho	107,413,677	30,914,110	28.79
Illinois	5,784,810,533	169,559,080	2.93
Indiana	1,607,755,381	74,629,393	4.64
Iowa	530,865,318	66,254,294	12.48
Kansas	505,978,720	69,560,532	13.75
Kentucky	1,335,529,044	87,977,120	6.58
Louisiana	544,661,418	124,584,814	22.87
Maine	171,409,103	25,701,159	14.99
Maryland-D.C.	1,916,563,312	66,531,009	3.47
Massachusetts	1,911,799,037	113,004,156	5.91
Michigan	6,123,942,540	124,938,004	2.04
Minnesota	1,065,846,786	79,737,016	7.48
Mississippi	140,578,542	74,840,306	53.23

Missouri	1,779,823,971	164,308,537	9.23
Montana	117,373,973	32,078,044	27.32
Nebraska	411,706,493	41,408,683	10.05
Nevada	84,830,400	15,153,680	17.86
New Hampshire	125,438,126	14,210,842	11.32
New Jersey	2,069,575,232	65,116,871	3.14
New Mexico	106,907,839	47,162,579	45.01
New York	13,180,952,872	278,284,655	2.11
North Carolina	1,550,838,627	99,271,372	6.40
North Dakota	64,345,530	30,253,389	47.02
Ohio	4,734,325,743	167,441,776	3.54
Oklahoma	628,700,544	105,166,474	16.72
Oregon	430,015,645	59,424,035	13.82
Pennsylvania	5,351,690,024	182,431,518	3.43
Rhode Island	298,041,104	18,555,356	6.23
South Carolina	254,160,017	63,869,171	25.13
South Dakota	71,646,697	26,271,447	36.67
Tennessee	512,538,518	102,775,643	20.05
Texas	2,193,724,847	257,217,880	11.72
Utah	151,294,119	34,833,327	23.02
Vermont	76,326,845	12,459,085	16.33
Virginia	1,075,374,579	76,616,338	7.12
Washington-Alas.	832,402,029	99,677,627	11.97
West Virginia	295,062,486	48,700,278	16.51
Wisconsin	1,305,847,430	80,686,028	6.17
Wyoming	57,331,138	25,259,193	44.06
Hawaii	136,174,863	29,038,862	21.32
Adjusted items	379,660,714	98,212,287	26.00
Total Internal Revenue	\$70,299,651,505		
Total Grants-in-aid and payments to persons fiscal year 1954		\$4,284,380,522	
Average percent returned			6.09%

\* \* \* \* \*

## THE REPUBLICAN MANIFESTO

**O**n September 12, 1952, Senator Robert Taft and President-elect Dwight D. Eisenhower had a conference at Morningside Heights. They later issued a manifesto containing the following statement:

"There is and has been one great fundamental issue . . . it is the issue of liberty against the creeping socialization in every domestic field. Liberty was the foundation of our government, the reason for our growth, the basis of our happiness and the hope of our future. The greatest

threat to liberty today is internal, from the constant growth of big government through the constantly increasing power and spending of the federal government . . . . The essential thing is to keep our expenditures . . . at a percentage of our total income which will not destroy our free economy at home and further inflate our debt and our currency."

That was a fine manifesto; but the "greatest threat to liberty" has grown greater under Eisenhower than it ever was under Truman. Here is the record of Truman's spending (during the fiscal years which fell entirely within the time of his administration):

FISCAL YEAR (Ending June 30)	AMOUNT SPENT
1946	\$60,447,574,319
1947	39,032,393,376
1948	33,068,708,998
1949	39,056,989,497
1950	39,617,003,195
1951	44,057,830,859
1952	65,407,584,930

Here is the record of Eisenhower's spending during *his most economical years* — that is, the first four fiscal years which fell entirely within the time of his administration:

FISCAL YEAR (Ending June 30)	AMOUNT SPENT
1954	\$67,772,353,245
1955	64,569,972,817
1956	66,539,776,187
1957	69,433,078,427

Since June 30, 1957, Eisenhower spending has increased sharply each year. This year (ending June 30, 1960) it will go above 80 billion dollars. None of the spending in the charts above, nor the 80 billion for the current fiscal year, includes the mammoth government spending from federal trust funds, for social security, highways and so on. Actual spending of the federal government in the current fiscal year, will be in excess of 100 billion dollars.

The Truman spending chart, above, includes four war years — years when the nation was at war for all or part of the fiscal year shown: 1945, 1950, 1951, 1952. The Eisenhower spending chart includes one war year: 1954. The Korean armistice was signed in July, 1953. The 1954 fiscal year began July 1, 1953. Hence, the Eisenhower spending chart includes less than one month during which the nation was at war.

## WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report*.

**RATE JACKSON**

Notice that Truman's most extravagant "peacetime" year was 1949 — \$39,056,989,497. Or, to avoid quibbling, take the 1950 fiscal year, during which the nation was at war less than one month (the Korean war began in June, 1950; the 1950 fiscal year ended June 30, 1950) — \$39,617,003,195.

Eisenhower spending in the present peacetime year (not including expenditures from the federal trusts) will be upward of 80 billion dollars. At least 40 billion of this will come from federal taxes on personal incomes. If the government had not collected one penny in taxes on personal incomes during this fiscal year, it would still have more than 40 billion dollars in revenue. And that is more than Truman spent in his most extravagant year.

**T**ruman has been roundly — and justifiably — denounced for his wasteful and profligate spending of public money.

But do you hear any presidential hopeful this year promising to cut back to Harry's most outrageous year of spending?

\* \* \* \* \*

## IT CAN BE DONE

The remarks of eminent Americans in the foregoing articles prove that if we do not drastically curtail federal taxing and spending, our nation as a free and independent republic is doomed. They (together with the charts on federal spending) prove that we will never effectively reduce federal taxing and spending until we cut off the Washington spenders from their excess supply of public money.

There is only one way to cut them off: adopt the Constitutional Amendment proposed by Congressman James B. Utt of California — which would repeal the income tax amendment and compel the government to stop competing with private enterprise.

Some say it can't be done, because the government "has to have the money." Repeal the federal tax on personal incomes, and the government would still have more money to spend than Truman spent in his most expensive peacetime year.

It can be done. It must be done.

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